



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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October Pool Price Calculation

The October 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.88 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The October producer price differential (PPD) at Suffolk County was \$1.53 per hundredweight.

October's statistical uniform price was 4 cents per hundredweight below the September price; the October PPD was 9 cents below last month's. During October, commodity butter prices declined while cheese and powder prices rose. As a result, the Class III price increased and the Class II and IV prices declined. The Class I price, which is announced on an advanced basis and based on September data, increased. Overall, the changes were not too extreme and only affected the blend and PPD by a few cents.

The producer butterfat test jumped 0.12 percentage points from last month while protein increased another 0.07 percentage points, which is typical for this time of year.❖

Judicial Ruling Would Reclassify Carb Countdown

An October 26 ruling by a USDA Administrative Law Judge holds that the USDA's Agricultural Marketing Service (AMS) determination that Carb Countdown, a dairy beverage marketed by HP Hood LLC, is not a Class I fluid milk product as has been defined by AMS, but is rather a Class II milk product. The ruling results from a petition challenging the interpretation and application of Federal Milk Marketing Orders filed by HP Hood LLC and other parties and a subsequent December 14-15, 2004, hearing conducted on the matter. The judge's ruling held that each of the four varieties of Carb Countdown contain by weight less than 6.5% milk solids. Federal Order classification regulations specify that any product that contains by weight less than 6.5 percent nonfat milk solids is not a "fluid milk product" and therefore not Class I. Following the ruling each party has a period to consider appealing the ruling before the decision and order becomes effective.

The ruling holds that the petitioners are entitled to a refund of the differential between Class I and Class II products that they have paid as a result of the agency's initial determination of the product as Class I. (continued on page 2)

Pool Summary

- A total of 14,762 producers were pooled under the Order with an average daily delivery per producer of 4,161 pounds.
- Pooled milk receipts totaled 1.904 billion pounds, a decrease of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.2 percent of total milk receipts, a decrease of 1.3 percentage points from September.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.67 percent.

Class Utilization		
Pooled Milk	Percent	Pounds
Class I	48.2	918,308,138
Class II	21.2	403,618,404
Class III	21.5	409,710,210
Class IV	9.1	172,688,242
Total Pooled Milk		1,904,324,994

Producer Component Prices		
	2005	2004
	\$/lb	
Protein Price	2.3780	2.3814
Butterfat Price	1.8256	1.9020
Other Solids Price	0.1491	0.0677

Class Price Factors		
	2005	2004
	\$/cwt	
Class I	17.52	18.03
Class II	14.25	13.57
Class III	14.35	14.16
Class IV	13.61	12.81

Regional Mailbox Prices

The mailbox price reflects the actual price producers receive for their milk. It is the net price received by producers after all payments for milk sold and deductions for milk marketing costs have been accounted for.

The list of payments received by producers that are part of the calculation are the gross value of the milk, state mandated premiums, competitive premiums, component premiums, quality premiums, volume premiums, and miscellaneous premiums. Deductions included in the calculation are hauling and stop charges, cooperative dues, equity deductions, promotion deductions, and federal assessments.

The mailbox price can vary region by region due to any differences by region in the payments or deductions listed above. The nature of regional markets can result in higher or lower premiums, hauling costs, or the gross

value. In addition, higher Class I differentials in parts of the marketing area are reflected in the gross value of the milk. This results in a higher base value before deductions and payments are taken into account.

For the first 7 months of 2005, the mailbox price for the Northeast Order averaged \$15.36 per hundredweight. Regionally, mailbox prices received by producers in New England, Pennsylvania, and other states were higher, averaging \$15.62, \$15.44, and \$15.77 per hundredweight, respectively. New York producers received a mailbox price of \$15.15 per hundredweight, 21 cents lower than the Northeast as a whole.

For comparison, the Northeast Uniform Price at Boston, Massachusetts, for the same period averaged \$15.36 per hundredweight. ❖

Northeast Order Regional Mailbox Prices, January–July 2005

Region	2005						
	January	February	March	April	May	June	July
New England	16.65	15.75	16.22	15.52	15.19	14.78	15.21
New York	16.17	15.28	15.81	15.08	14.75	14.27	14.70
Pennsylvania	16.40	15.60	16.10	15.26	15.02	14.60	15.09
Other States	16.85	15.88	16.37	15.57	15.28	14.96	15.51
Northeast	16.36	15.50	16.01	15.26	14.95	14.50	14.96
Northeast Uniform Price	16.31	15.51	16.04	15.52	15.35	15.23	15.85

Note: New England includes CT, MA, ME, NH, RI, and VT. Other States includes DE, KY, MD, MI, MN, NJ, NV, OH, UT, VA, WI, and WV.

Changes to Appalachian Order

The Appalachian Order was recently amended expanding its marketing area, eliminating the ability to simultaneously pool milk on that Order and on a state-operated order that has marketwide pooling, and amending the transportation credit provisions. The changes were effective November 1, 2005.

The expansion of the marketing area will include 25 unregulated counties and 15 unregulated cities in the State of Virginia that currently are not in any federal milk marketing area. Some of these counties have been traditionally in the Northeast milkshed. This means that there are producers located in these counties that ship to handlers regulated by the Northeast Order. During 2004, about 16.4 million pounds were pooled in the Northeast Order from the counties that, under this change, would be regulated by the Appalachian Order. On a percentage basis, this only equates to 0.01 percent of the entire volume pooled on the Northeast Order during 2004.

In addition, the amended Order will change the status of the Dean Foods' Morningstar plant located in Mount

Crawford, Virginia. This plant has been regulated as a pool distributing plant under the Northeast Order consistently since April 2003. Prior to that, its status would change monthly based on its sales in the marketing area. The amended Order will "lock-in" the plant as a regulated distributing plant under the Appalachian Order because the plant is physically located in that Order's marketing area. Based on average historical data, the loss of this plant is expected to negatively affect the Northeast Order blend price by about 1 cent. ❖



Carb Countdown *(continued from page 1)*

Refund monies would be paid out of future month's Northeast Order pools, having the temporary effect of reducing the Order's statistical uniform price until the obligation is paid. If this occurs, we will make an adjustment and notification to that effect on the monthly statistical uniform price announcement. ❖

Regional Dairy Outlook Conference Held

The 2005 Northeast Regional Dairy Outlook Conference was held November 15 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator offices, state and federal agricultural statistical services, university extension offices, and cooperatives to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Delaware, Maryland, New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Crop Situation

Mixed weather conditions throughout the Northeast resulted in variable crop yields. Lack of and an over abundance of rain affected crops and individual hay cuttings. Overall, yields of both hay and corn were down from 2004, but overall quality appears to be good. Purchasing supplemental feed, especially grain, will likely be necessary. Fortunately, concentrate prices are predicted to be good, although fuel costs may have an effect on moving feed to different locations resulting in higher prices. Nationally, the feed situation is similar with high quality and favorable prices expected.

Production Estimates

Nationally milk cow numbers are projected to finish slightly higher in 2005 than in 2004. All comparisons have been adjusted for leap year in 2004. For 2006, the total number of cows is estimated to increase nearly 1 percent. Regionally, expectations are mixed. For the region as a whole, cow numbers are projected to finish down about 1 percent in 2005, but increase a slight 0.1 percent in 2006. New York and Maryland both estimate increases, while Pennsylvania and the combined New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) expect declines. New Jersey and Delaware predict no change.

Replacement heifer prices are expected to remain high and may limit expansion. The number of farm exits seems to have slowed in the region, and those remaining are growing in size.

Milk production per cow jumped in most of the Northeast states during 2005 resulting in an overall 3.9 percent increase. Nationally, milk per cow rose 3.2 percent. For 2006, milk per cow is estimated to increase 0.7 percent in the Northeast; U.S. milk per cow is estimated to grow 1.9 percent. Overall U.S. milk per cow is projected to be up from last year, experiencing another healthy gain

in 2005 mainly due to better quality feed and increased BST usage.

The projected increases in both cow numbers and milk per cow are expected to generate an overall increase in milk production of 2.6 percent nationally in 2006. This follows a 3.8 percent increase in 2005. For the region, milk production is projected to finish 3.5 percent higher in 2005, compared to 2004, and it is estimated to increase 0.8 percent in 2006.

Price Estimates

The group's consensus for the Northeast Order statistical uniform price is an annual average of \$15.68 per hundredweight for 2005. This is 82 cents less than the 2004 annual average blend price. Although considerably lower than last year, prices during 2005 have been remarkably stable. Many producers have improved their financial situation by paying down debt. The forecast for 2006 is not as optimistic. The blend price is estimated to average \$14.76 per hundredweight, lower than the past 2 years, but still higher than during 2002 and 2003.

Milk prices are expected to decline as production increases and demand levels off. It is anticipated that they will continue to drop throughout the winter and into early spring 2006, but then increase again during the second half of the year (see accompanying table). Once again, the Class III price is expected to be the dominant mover for Class I prices next year, except during the early spring months. At this time, no negative producer price differentials (PPD) are predicted for 2006. ❖

**Northeast Milk Marketing Area
Statistical Uniform Prices, 2004–2006**

Month	2004 Actual	2005 Actual and Estimated	2006 Estimated
January	13.58	16.31	14.70
February	13.95	15.51	14.55
March	15.56	16.04	14.40
April	17.28	15.52	14.34
May	19.84	15.35	14.26
June	19.70	15.23	14.37
July	17.64	15.85	14.70
August	15.57	15.84	15.05
September	16.06	15.92	15.29
October	16.07	15.88	15.35
November	16.20	15.68	15.18
December	16.43	14.99	14.92
Average	16.49	15.68	14.76

* Estimated prices for November and December 2005 and all of 2006.

All estimates are subject to change. Prices are reported at Suffolk County, MA.



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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	899,719,199	\$11.21	100,858,522.21	
Butterfat	18,588,939	1.9143	35,584,805.93	
Less: Location Adjustment to Handlers			(2,908,291.97)	\$133,535,036.20
Class II— Butterfat	28,868,601	1.8326	52,904,598.18	
Nonfat Solids	34,169,229	0.9022	30,827,478.46	83,732,076.64
Class III— Butterfat	16,318,417	1.8256	29,790,902.07	
Protein	12,704,905	2.3780	30,212,264.10	
Other Solids	23,163,201	0.1491	3,453,633.27	63,456,799.44
Class IV— Butterfat	7,393,264	1.8256	13,497,142.77	
Nonfat Solids	15,089,283	0.8310	12,539,194.20	26,036,336.97
Total Classified Value				\$306,760,249.25
Add: Overage—All Classes				60,335.67
Inventory Reclassification—All Classes				(13,730.72)
Less: Producer Component Valuations				(286,541,640.65)
Subtotal				\$20,265,213.55
Add: Location Adjustment to Producers				8,841,748.11
One-half Unobligated Balance—Producer Settlement Fund				875,222.89
Total Pool Milk & Aggregate Value	1,904,324,994			29,982,184.55
Less: Producer Settlement Fund—Reserve				(846,012.18)
Producer Price Differential @ Suffolk County, MA (Boston)		\$1.53		29,136,172.37
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$15.88		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.